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November 14, 2014

Trademark ‘Great Pretenders’ get a break from Supreme Court

It appears to be ‘twilight time’ for the presumption of irreparable harm in trademark injunction cases

In the 1950s, The Platters set the standard for pop vocalists. In October 2014, the group set a different kind of standard entirely – one with significant implications for trademark owners – when the Supreme Court declined to accept an appeal in a long-running dispute over use of The Platters’ name. While the decision to not accept the appeal creates no binding authority, it has, for the moment, effectively made injunctive relief harder to obtain for brand owners and changed the cost-benefit calculus that mark owners must consider in pursuing infringement actions.

The appeal stemmed from a case brought by the estate of Herb Reed, one of the founding members of the Platters, who before his death had waged a long legal battle to establish his exclusive rights in The Platters’ name. Reed’s estate sought a preliminary injunction against one of several entities – one might call them the “Great Pretenders” – that had been using the group’s name in the wake of its break up years ago. The question came down to what, exactly, Reed’s estate needed to prove to obtain that preliminary injunction.

In order to secure an injunction, litigants must satisfy four different

elements: that there is a likelihood of irreparable harm with no adequate remedy at law; that the balance of harm favors the movant; that there is a likelihood of success on the merits of the case; and that the public interest favors the granting of the injunction. Historically, in deciding whether to grant a preliminary injunction, courts have presumed that if a trademark plaintiff satisfied the third of those elements, a “likelihood of success on the merits,” it also hurdled the bar for the first element, the likelihood of “irreparable harm.” The presumption of irreparable harm in trademark cases, however, was thrown into question eight years ago in *eBay v. MercExchange*, a Supreme Court decision that eliminated that presumption for purposes of permanent injunction decisions in patent cases. In a subsequent case, *Winter v. Natural Res. Def. Council*, the Supreme Court clarified that the holding of *eBay* was limited to neither permanent injunctions nor patent cases – plaintiffs must prove that irreparable harm is “likely,” not just a possibility, in seeking a preliminary injunction.

The question of whether *eBay* applies in the trademark context, eliminating the entitlement to a presumption of irreparable harm,

has been percolating through the district courts ever since. In *Herb Reed Enters, LLC v. Fla. Entmt’ Mgmt.*, the 9th Circuit became the first federal appellate court to outright reject the presumption of irreparable harm in a trademark case. Since that 2013 decision, at least one other federal appellate court (the 3rd Circuit in *FerringPharms, Inc. v. WatsonPharms, Inc.*) has joined that line of thinking. Others have skirted the issue by citing *eBay* while merely paying lip service to not applying the traditional presumption.

The attempt to appeal from the 9th Circuit in *Herb Reed* gave the Supreme Court an opportunity to speak directly to the issue. While it did not take up the invitation, by declining to hear the appeal – and thus leaving the 9th Circuit’s decision in place – the Supreme Court arguably validated its approach. Until a bona fide conflict between circuits arises or Congress amends the Lanham Act to clarify the issue, which is unlikely at least until the Supreme Court explicitly speaks on the issue, trademark owners may want to assume that a presumption of irreparable harm is no longer the law of the land.

There are unique aspects of trademark rights that make the

application of *eBay* arguably inappropriate in the trademark context. Specifically, the abstract nature of the harm that occurs through trademark infringement and the fact that it is inflicted on both the mark owner and the public (which is likely being misled about the source of the goods and services they purchase) suggest that the *eBay* rule may be difficult or inappropriate to apply in the trademark context. Additionally, it is unclear how a large commercial entity could prove that it had been “irreparably harmed” by a small scale infringement if it must bring forth evidence of actual damage to its reputation and mark, as suggested by the 9th Circuit. Such a standard might be impossible to meet in practice in many cases. As “tolerated” infringements accumulate, however, branding could be subjected to such erosion that marks could be destroyed through a multitude of unremedied, small scale infringers none of which alone would pass the “irreparable harm” threshold, but which do in the aggregate.

For the foreseeable future, any trademark owner seeking injunctive

relief ought to assume that the higher standards reflected in *eBay* and *Herb Reed* apply. This does not mean that brand owners should avoid the courtroom. For one thing, trademark owners must vigilantly protect their marks, and a failure to do so can compromise their rights. Second, if they have the opportunity, trademark owners can still seek to stage their legal battles in jurisdictions in which the issue has not been clearly decided against them or where district courts appear to be more lenient in the type of “irreparable harm” evidence that will be deemed sufficient.

The logical question for counsel, of course, is what evidence will suffice as proof of irreparable harm. Currently, little guidance exists. It seems likely that acceptable proof would come in the form of sales or survey evidence, demonstrating that an infringer is materially damaging the plaintiff’s reputation, brand identity or market share as a result of the confusion in the marketplace. Evidence supportive of such facts can be difficult to establish, however, and inside and outside counsel will need to work together to monitor and navigate this new terrain

as case law is developed applying *eBay* and *Herb Reed* in trademark injunction cases.

The difficulty of identifying and quantifying factors such as loss of goodwill and harm to reputation make it challenging for plaintiffs to provide concrete evidence of future harm sufficient to require relief. But that, for now, is the challenge facing brand owners. Until we hear otherwise from Congress or the Supreme Court, *Herb Reed* and similar decisions following the reasoning of *eBay* have elevated the burden of proof for plaintiffs, and provided defendants – “Great Pretenders” or not – with a more favorable playing field in surviving trademark challenges.

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